National Energy Board | Office national de l'énergie

National Energy Board

Departmental Performance Report

2008 - 2009

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Chair and CEO
National Energy Board

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Minister
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Canada

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Message from the Chair and CEO

I am pleased to present the National Energy Board's 2008-2009 Departmental Performance Report (DPR).

This was a year of challenges and opportunities. It was an extremely busy pipeline construction year and the National Energy Board (NEB or Board) saw more applications and hearings than in any other year in the NEB's 50-year history. The volume of construction activities contributed to an increase in safety incidents, which is a concern. To help better understand the factors that led to this increase, the NEB has been focusing its efforts on increased company compliance activities and industry outreach to help prevent, reduce and ultimately, eliminate these accidents in future. Furthermore, all of this activity took place during a year that will be remembered for extremely volatile global financial and energy markets.

Despite the challenges of high workloads and the uncertainty brought on by changing economic conditions, the NEB successfully delivered on its planned outcomes as outlined in its *2008-2009 Report on Plans and Priorities*. The Board gave all facility applications thorough consideration, while still meeting or exceeding almost all of the NEB service standards for reviewing applications. Decisions continued to be guided by the basic principles of sustainable development, balancing the environmental, economic and social considerations that matter to Canadians. The NEB was also ready with timely energy information for the changing market conditions and released a broad suite of energy information products to meet Canadians' needs.

Improving regulatory processes through innovation and partnerships with other agencies and stakeholders was a strong focus during 2008-2009. By partnering with the Major Project Management Office and other federal agencies and stakeholders, the NEB has achieved a more coordinated and efficient approach to the federal regulatory review process. As a result of this work, the Board developed and began implementing a new model for Aboriginal Engagement in 2008-2009.

The NEB continued to develop partnerships with northern bodies such as the NWT Board Forum, and signed a memorandum of understanding (MOU) with the Northwest Territories Water Board in August, 2008. It also signed a MOU with the First Nations Tax Commission to establish a framework for learning and sharing information with each other. In addition, the NEB began to engage Environmental Non-Government Organizations so that it could explore ways to improve the environmental outcomes associated with NEB-regulated projects. Through the Land Matters Consultation Initiative, the NEB also engaged more than 400 citizens from across Canada to share ideas on how to improve the way land matters are incorporated into the Board's public interest considerations.

As a result of two weeks of public hearings in November 2008, the NEB assumed jurisdiction over TransCanada's Alberta system on April 29, 2009, an addition of nearly 25,000 km of pipeline. Although this was a 50 per cent increase in the length of pipelines regulated by the NEB, the NEB assumed these responsibilities in an efficient and effective manner.

During 2008-09, the NEB launched activities to celebrate the Board's five decades of regulatory leadership in Canada. While much has changed since 1959, the Board's original promise to

Canadians remains the same: the NEB is an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

The Board will continue to promote safe, secure and economically efficient energy infrastructure that is built and operated in a manner that protects the environment. I am confident that the NEB will also continue to successfully pursue its mandate on behalf of Canadians, thanks to the knowledge, commitment and experience of its Board members and employees.

Gaétan Caron
Chair and CEO

Section I :

Agency Overview

1.1 Summary Information

Raison d'être

The NEB's corporate purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest[1] within the mandate set by Parliament in the regulation of pipelines, energy development and trade

The NEB's vision is to be an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

Excellence at the NEB is driven by its people's commitment to three key values:

- Integrity: We are fair, transparent, and respectful
- Regulatory Leadership: We are responsive, proactive and innovative
- Accountability: We support and hold each other accountable to deliver timely, high quality results in the Canadian public interest

Responsibilities

The NEB is an independent federal agency that regulates parts of Canada's energy industry. The NEB regulates the construction and operation of pipelines that cross international or provincial borders, tolls and tariffs on these pipelines, international power lines and designated interprovincial power lines. The NEB also regulates natural gas imports and exports, oil and natural gas liquid exports, electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. In addition, the NEB provides Canadians with information about Canadian energy markets. The NEB reports to Parliament through the Minister of Natural Resources.

The main functions of the NEB, which was established in 1959, are set out in the *National Energy Board Act* (NEB Act). The Board has additional regulatory responsibilities under the *Canada Oil and Gas Operations Act* (COGO Act) and under certain provisions of the *Canada Petroleum Resources Act* (CPR Act) for oil and gas exploration and activities on frontier lands not otherwise regulated under joint federal/provincial accords. In addition, some Board inspectors are appointed Health and Safety officers by the Minister of Labour to administer Part II of the *Canada Labour Code* as it applies to facilities regulated by the Board.

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1 The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that changes as society's values and preferences evolve over time.

The NEB's regulatory responsibilities for public safety, security and protecting the environment are set out in the NEB Act and the COGO Act. The NEB must also meet the requirements of the *Canadian Environmental Assessment Act* (CEA Act) and the *Mackenzie Valley Resource Management Act.* The Board's environmental responsibilities span three distinct phases: evaluating potential environmental effects of proposed projects; monitoring and enforcing terms and conditions during and after construction; and monitoring and regulating ongoing operations, including deactivation and abandonment. Through the *Public Safety Act, 2002* the NEB has legislative authority for the security of pipelines and international power lines.

The NEB is an independent regulatory tribunal guided by the principles of natural justice and procedural fairness. The Board is a court of record and has certain powers of a superior court of record including those for attendance, swearing and examination of witnesses, the production and inspection of documents, the enforcement of its orders and the inspection of property. Aside from rare exceptions, the Board's regulatory decisions and the accompanying Reasons for Decision are issued as public documents.

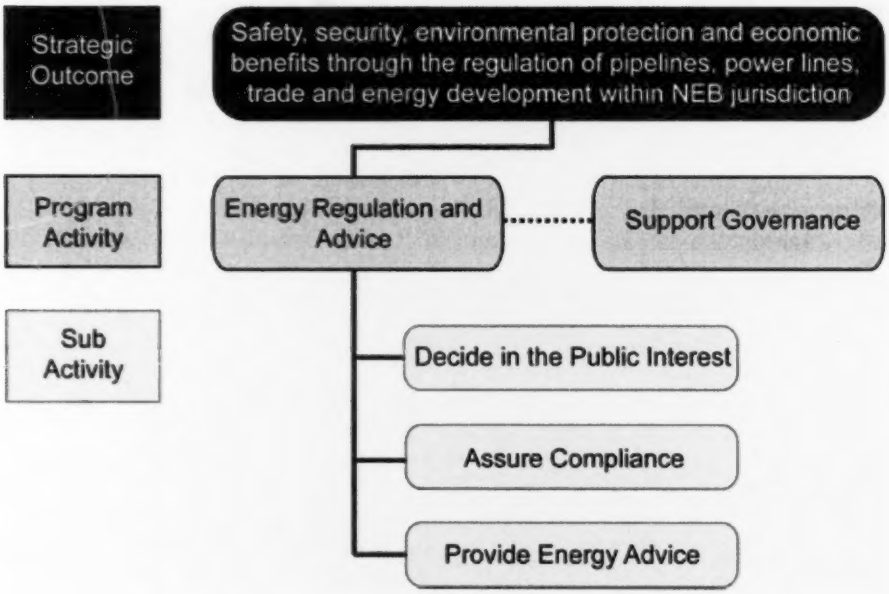
Strategic Outcome

The NEB strives to achieve the following strategic outcome in order to fulfill its purpose:

Safety, security, environmental protection and economic benefits through the regulation of pipelines, power lines, trade and energy development within NEB jurisdiction

Program Activity Architecture

The chart below illustrates the 2008-2009 NEB program framework.


Strategic Outcome
Safety, security, environmental protection and economic benefits through the regulation of pipelines, power lines, trade and energy development within NEB jurisdiction
Program Activity
Energy Regulation and Advice
Support Governance
Sub Activity
Decide in the Public Interest
Assure Compliance
Provide Energy Advice

1.2 Performance Summary

The financial and human resources table below provides a summary of total planned and actual spending and human resources for 2008-2009. The difference in planned and actual full-time equivalent (FTE) levels is partially due to challenges in hiring qualified candidates in a competitive labour market and staff attrition during the first half of 2008-2009. A number of factors contributed to the variance between planned and actual spending, and this is discussed in detail in the Expenditure section.

Financial and Human Resources

2008-2009 Financial Resources ($ millions)			2008-2009 Human Resources (FTEs)		
Planned Spending	**Total Authorities**	**Actual Spending**	**Planned**	**Actual**	**Difference**
47.4	55.5	50.4	354.6	326.8	-27.8

Program Activity	Expected Results	2007-2008 Actual Spending	2008-2009				Align't to Gov't of Canada Outcomes
			Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Energy Regulation and Advice	• NEB-regulated facilities and activities are safe and secure, and are perceived to be so • NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected • Canadians benefit from efficient energy infrastructure and markets • The NEB fulfills its mandate with the benefit of effective public participation	43.8	46.2	47.4	55.0	50.4	Strong Economic Growth
Total		43.8	46.2	47.4	55.0	50.4	

Strategic Outcome: Safety, security, environmental protection and economic benefits through the regulation of pipelines, power lines, trade and energy development within NEB jurisdiction		
Performance Indicators	**Targets**	**Performance Summary** Status: Not Met, Somewhat Met, Mostly Met, Met All, Exceeded
Facilities and activities are safe No fatalities and decreasing number of pipeline injuries No pipeline failures	0 fatalities and disabling injuries 0 pipeline failures	**Performance Status: Somewhat Met** Assessed via reported incidents and cumulative frequency trends 2008 Fatalities: 2. Above the 5-year average 2008 Disabling injuries: 2. Frequency of disabling injuries was 1.0 per million hours worked in 2008, up from 0.65 per million hours worked in 2007. 2008 Hydrocarbon pipeline ruptures: 0. Decrease from 2 in 2007. 2008 Incidents: 71. Increase from 2007 (56) and above 5 year average (52).
Environmental impacts of regulated companies are minimized Decreasing number of major releases into the environment (Major release = greater than 100 m^3 of liquid hydrocarbon)	0 releases	**Performance Status: Met All** Assessed via reported incidents and cumulative frequency trends Major Releases > 100 m^3 = 0 Downward trend of major oil releases over the past four years.
Canadian energy and transportation markets are working well Oil and natural gas pipeline capacity in place based on pipeline utilization and price differentials	Pipeline sector has adequate access to capital markets Adequate oil and natural gas pipeline capacity in place Similar Canadian and US energy markets have equivalent pricing	**Performance Status: Mostly Met** Adequate capacity on gas pipelines. Oil pipelines had minimal apportionment during the year. Energy prices in Canada remain linked with North American prices indicating adequate transportation and trade between the two markets.
Level of shipper satisfaction with the quality/price of services provided by pipeline companies	Meet or exceed previous 2-year average of shipper satisfaction	**Performance Status: Met All** Average 3.67 out of 5 on a scale of 1 to 5 (where 1 = very dissatisfied and 5 = very satisfied). Exceeds previous 2-year average of 3.50.

Contribution of Priorities to Strategic Outcome

Operational

Priorities	Type	Link to Strategic Outcome	Performance Status Summary of Achievements Against Priority
Partnerships for regulatory efficiency and effectiveness	Previously committed to	SO-1	**Performance Status: Met All** Building partnerships with other organizations and stakeholders is a key factor in achieving improved regulatory efficiency and effectiveness. Results achieved in 2008-2009 include: • Progress on streamlining federal processes by working with the Major Projects Management Office. • Progress on strengthening relationships with Environmental Non-Governmental Organizations and partnering with the Canadian Environmental Assessment Agency will help achieve improved environmental outcomes. • Partnerships and information sharing with northern regulators improved regulatory efficiencies in the North and will help achieve government priorities such as the Northern Regulatory Improvement Initiative. • Partnerships to improve energy information offered to Canadians.
Effective engagement for stakeholders affected by projects	Previously committed to	SO-1	**Performance Status: Met All** Effective engagement identifies opportunities that will improve outcomes for all involved. Results achieved in 2008-2009 include: • Enhanced Aboriginal engagement model. • Comprehensive consultation with stakeholders through the Land Matters Consultation Initiative. • Continued community engagement.
Continuous improvement of regulatory processes	Previously committed to	SO-1	**Performance Status: Met All** Continuous improvement reflects the NEB's strategy to create and adopt best practices and its commitment to providing transparent, accountable and responsive regulatory processes. Results achieved in 2008-2009 include: • Enhancements to risk-based lifecycle allowed the NEB to focus compliance resources on companies that will benefit the most from regulatory oversight. • Clarification of the NEB's expectations to industry regarding safety and environmental protection through proactive NEB communication strategies. • New and more efficient tools, such as an online application system, to improve and simplify the regulatory process.

Management

Priorities	Type	Link to Strategic Outcome	Performance Status Summary of Achievements Against Priority
Leveraging our strengths to deliver on our mandate	Previously committed to	SO-1	**Performance Status: Met All** Considerable expertise is required throughout the organization to carry out the NEB's mandate. A high level of activity and new and more complex projects, combined with a competitive labour market, has made it challenging for the NEB to attract and retain its employees, and maintain knowledge within the organization. • The focus on recruitment and retention strategies partly contributed to meeting recruitment numbers within the first six months of the year and a declining attrition rate. • The NEB developed a comprehensive learning and development program to support employee career development, and maintain the knowledge and expertise needed to support the NEB's mandate. • Enhanced on-boarding processes for new employees helped develop the capacity to meet work demands more quickly.

Risk Analysis

Operating Context

The NEB operated in a changing economic landscape during 2008-2009. The onset of a global recession was accompanied by an international banking crisis and falling commodity prices. Energy price fluctuations and financial turmoil over the last year created considerable economic uncertainty in Canada and internationally. Energy infrastructure developments were not immune to this volatility and consequently, the pace of developing pipelines to connect those resources with markets has been uncertain.

Despite recent economic weakness, global energy demand will continue to grow in the long term, pushing development into more unconventional production and remote areas. A two-year pipeline construction boom is expected to continue at a reduced pace in the face of current economic uncertainties. Although oil prices have fallen, and a number of plans for new projects are being reconsidered, there are oil sands projects still under construction that will be completed in the next few years.

The global boom in infrastructure development and changing demographics increased costs for equipment, materials and labour. The labour market was very competitive during much of the year, although these pressures have eased somewhat from the economic downturn. Both the NEB and the companies it regulates faced challenges in hiring and training qualified personnel.

Of considerable impact to the NEB was the application by TransCanada requesting that one of its pipeline systems, the TransCanada Alberta System, which is owned by TransCanada's subsidiary NOVA Gas Transmission Ltd, be declared under federal jurisdiction and that the Board issue a Certificate of Public Convenience and Necessity for these facilities. The Board conducted a public hearing process in November, 2008 and as a result, approved the application and issued a

certificate that came into force on April 29, 2009. This added almost 25,000 km of pipeline and hundreds of above-ground facilities in Alberta to the roughly 45,000 km of pipeline currently under federal jurisdiction. This is a 50 per cent increase in the amount of pipeline the NEB regulates.

Environmental concerns and public involvement in energy infrastructure development, whether by landowners, Environmental Non-Governmental Organizations, communities or Aboriginal groups, has been growing since the mid-1990s. There is a need for reliable, unbiased and timely information to inform the public debate on energy and environmental issues.

Risks, Implications and Strategies

Throughout much of 2008, the economic boom and very active energy sector placed intense pressure on industry and the NEB. The NEB held seventeen public hearings during 2008-2009, the highest number in its history. During the latter part of the year, the NEB also needed to prepare for the possibility of regulating the TransCanada Alberta System, and the additional resources this would require. The labour market was extremely challenging, with both the NEB and the companies it regulates requiring highly skilled and qualified employees. With the NEB competing against the industry for employees with the same technical skills, it was important to focus on both retention and attraction strategies. The NEB concentrated on enhancing the benefits of working at the NEB, including work-life balance strategies, a competitive compensation package and career development. It also invested in developing a comprehensive learning and development program to maintain expert knowledge within the NEB and support employee training and career progression. These strategies resulted in the NEB successfully hiring new employees and contributed in part to a lower attrition rate during 2008-2009 than in recent past years.

Canada's federally regulated pipeline and power line system transports over $100 billion of energy every year in a safe, environmentally sound and economically efficient manner. However, as infrastructure ages, maintaining the physical integrity and safety of pipelines are concerns, along with the challenge to attract and retain experienced employees. A rise in safety incidents led the NEB to take action in order to influence and reverse the trend over the long term. In addition to its compliance work, the NEB met with industry officials and emphasized the importance of safety and promoted the sharing of learnings to improve performance. As a longer-term strategy, the NEB is examining opportunities to develop more leading safety indicators for industry and continues to work towards transparent reporting within the industry as one method of promoting a safety culture.

The NEB's processes should enhance trust and understanding among those who take part in these processes. Most importantly, the parties should feel that the process was fair. However, the NEB could face eroding trust in its processes if it is unable to deal effectively with new issues, demands and opportunities. Regulatory complexity can cause delays in bringing on new energy supplies and lead to increased costs to Canadians. Those people who could be affected by projects also require fair and accessible processes in order to participate effectively. Both project proponents and affected stakeholders are looking for effective processes that will enable needed infrastructure to be developed on a timely basis.

During 2008-2009 the NEB successfully partnered with the Major Projects Management Office to streamline federal processes on applications, and enhance its Aboriginal engagement practices. The NEB also strengthened its relationships and partnerships with northern boards in order to contribute to government priorities such as the outcomes outlined in the Northern Regulatory Improvement Initiative. Engagement with Environmental Non-Governmental Organizations helped to clarify and communicate the NEB's role in environmental processes, and the NEB intends to continue this strategy into 2009-10. It also produced valuable feedback on how the NEB can better communicate with this community.

In response to growing expectations for public involvement in energy infrastructure development, the Board concluded a major public engagement initiative in 2008-2009. As a result, the NEB has decided to improve its regulatory program for safety, security and protecting the environment by also focusing on the rights and interests of those affected by energy infrastructure. This will allow the NEB to set out expectations on public consultation with industry and monitor company performance to ensure that those affected by energy projects are consulted and their interests are appropriately considered.

Expenditure Profile

Due to an increase in workload demands caused by industry activity and other emerging trends, an NEB submission for three years of additional funds was approved by Treasury Board in 2007. In 2008-2009, the NEB developed a Treasury Board submission for required resources for the addition the TransCanada Alberta System to the NEB's jurisdiction, the implementation of a regulatory program for land matters and for enhanced Aboriginal engagement. The submission was approved in April 2009.

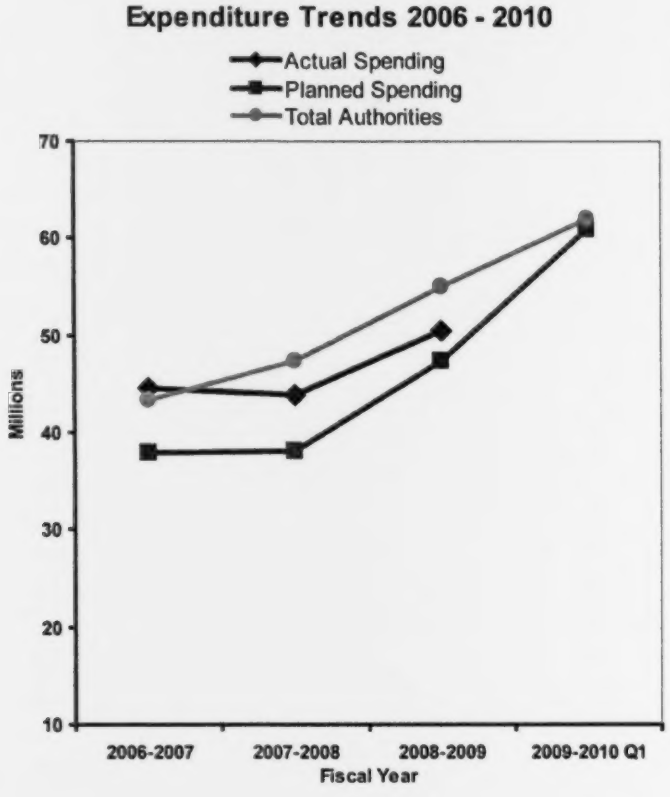
Based on industry trends and its ongoing environmental scan, the NEB anticipates a sustained and continued requirement for resource allocation levels to meet workload demands linked to industry activity, oil and gas development in the North, and other emerging trends beyond 2010. The NEB will conduct a review of its programs in order to develop a Treasury Board submission in 2009 regarding ongoing allocation levels.

As the chart on the next page illustrates, NEB planned and actual spending reflects the high level of industry activity in recent years and the NEB's spending related to carrying out its regulatory responsibilities. Variances are due to a number of factors outside the NEB's control including a delay to the MacKenzie Gas Project application, which resulted in a $1.4 million lapse. The NEB had assumed that the anticipated lapse could cover the eligible pay list (for recoverable salary expenses) which totaled just over $900,000. However, salary expenses were covered by the Treasury Board, and the anticipated lapse could not be applied. In addition, there was uncertainty regarding the amount of financial benefits payable to employees as the NEB's new collective agreement was not signed until the end of the year. This made it difficult to determine the final salary allocation, contributing to an $804,000 variance. All of these factors resulted in a lapse of $2.3 million.

Some planned spending was also impacted by the year's volatile financial markets. Anticipated staffing of some FTE positions did not occur due to challenges in hiring staff during an economic boom. Conversely, the economic downturn resulted in fewer hearing applications than was

anticipated, and lower hearing costs. The NEB also took into account possible delays in Treasury Board approval of the 2008-2009 submission. These factors resulted in a lapse of an additional $1.4 million.

In considering factors impacting planned and actual spending that were within the NEB's control, variance from the planned budget was less than 2 per cent.



Voted and Statutory Items ($ millions)

Vote # or Statutory Item	Truncated Vote or Statutory Wording	2006-2007 Actual Spending	2007-2008 Actual Spending	2008-2009 Main Estimates	2008-2009 Actual Spending
25	Program Expenditures	39.6	39.1	41.0	45.0
(S)	Contributions to Employee Benefit Plans	4.9	4.7	5.2	5.4
	Total	44.5	43.8	46.2	50.4

Section II :

Analysis of Program Activities by Strategic Outcome

2.1 Strategic Outcome

Safety, security, environmental protection and economic benefits through the regulation of pipelines, power lines, trade and energy development within NEB jurisdiction

The NEB has five integrated expected results, or goals, for its Energy Regulation and Advice program:

- NEB-regulated facilities and activities are safe and secure, and are perceived to be so
- NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected
- Canadians benefit from efficient energy infrastructure and markets
- The NEB fulfills its mandate with the benefit of effective public participation
- The NEB delivers quality outcomes through innovative leadership and effective support processes

Together, the goals provide the framework of expectations for the Energy Regulation and Advice Program, and ultimately how the NEB will achieve its strategic outcome. The goals have related performance measures and indicators to evaluate progress and performance towards achieving the goal.

As part of its measurement plan, the NEB has established service standards which identify specific delivery targets or timelines for key services. Meeting service standard targets consistently and with quality results reflects the NEB's commitment to efficient and effective regulatory processes.

The NEB's Strategic Plan outlines the NEB's vision and purpose, and provides the structure for the goals framework. More information on the Strategic Plan and NEB service standards is available on the NEB's website (http://www.neb-one.gc.ca).

2.2 Program Activity: Energy Regulation and Advice

Program Activity: Energy Regulation and Advice Program					
2008-09 Financial Resources ($ millions)			2008-09 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
47.4	55.0	50.4	354.6	326.8	-27.8

Energy Regulation and Advice Program		
Performance Indicators	Targets	Performance Summary Status: Not Met, Somewhat Met, Mostly Met, Met All, Exceeded
Expected Result: NEB-regulated facilities and activities are safe and secure, and are perceived to be so		
Percent of planned risk-based compliance activities completed	100% of planned compliance activities are completed	**Performance Status: Mostly Met** 83% of planned activities (as per the 2008-2009 Compliance Verification Plan) were completed. Completed planned activities by management area: Emergency 90%, Environment 79%, Integrity 76%, Safety 75%, and Security 100%. The NEB was not able to complete all planned work due to the need for additional compliance activities resulting from company requests and actions, or findings from planned compliance activities.
Public perception of pipeline safety	Establish a baseline for public perceptions of pipeline safety	**Performance Status: N/A** Planning for baseline data acquisition for 2009-2010.
Companies regulated by the NEB have safety, integrity and environmental management systems and programs	Companies with high risk facilities have safety, integrity and environmental management systems and programs	**Performance Status: Mostly Met** Risk-based lifecycle approach directs NEB oversight to those companies/systems where regulatory risk is highest. Significant NEB field presence and interactions with companies indicated that most are effectively managing safety, security and environmental protection on their systems, although some companies lack fully matured management systems for integrity management programs.

Expected Result: NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected		
Environmental conditions achieve their desired end results	Environmental conditions achieve their desired end results	**Performance Status: Met All** Consistently at or near 100% (all environmental conditions met by companies) for 2+ years.
Percentage of landowner complaints resolved Rights of way are reclaimed within expected timeframes	80% of complaints resolved within 60 calendar days	**Performance Status: Somewhat Met** 23 complaints received: an increase from 2007-2008 (13). The majority of all landowner complaints are still successfully resolved by companies without NEB involvement. Resolution times depend on file complexities and are typically longer than 60 days (process effectiveness indicators are under development in 2009-2010). Rights of way: project to develop NEB program and measures underway.
Expected Result: Canadians benefit from efficient energy infrastructure and markets		
Client satisfaction with energy information products and workshops	Majority of clients are satisfied	**Performance Status: Met All** Feedback on products and workshops generally positive and most users indicate they value the information provided. 505,636 web visits in 2008-2009 to energy information products (8% increase over 2007-2008).
Percent of planned financial regulatory audits completed	100% of planned financial regulatory audits are completed	**Performance Status: Met All** All three planned financial regulatory audits were completed.
The Board's regulatory processes are measurably efficient and effective	All NEB service standards for its regulatory services are met	**Performance Status: Mostly Met** 80% of service standards met (15 of 18) Details on service standard performance are provided in Section III.
Expected Result: The NEB fulfills its mandate with the benefit of effective public participation		
Stakeholder satisfaction with NEB processes and information	Majority satisfied to very satisfied	**Performance Status: Mostly Met** 80% of stakeholders involved in five NEB hearings in 2008-2009 were satisfied overall with processes and information. Board Members were also surveyed for satisfaction with NEB public engagement processes. Of Board Members surveyed, all believed appropriate measures were taken to engage affected parties.
Expected Result: The NEB delivers quality outcomes through innovative leadership and effective support processes		
Percentage of planned results delivered within budget	Budget within 4% of planned allocation	**Performance Status: Met All** Less than 2% variance from planned allocation based on factors within the NEB's control.
NEB employees are satisfied with workplace conditions	85% of NEB employees indicate that the NEB is a good place to work	**Performance Status: Mostly Met** 79% of NEB employees would recommend the NEB as a good place to work (2008 Public Service Employee Survey).

Benefits for Canadians

In 2008-2009, the NEB continued to promote a safe, secure and economically efficient energy infrastructure that is built and operated in a manner that protects the environment. By using a goal oriented approach to regulation, the NEB sets expectations for industry to achieve and follows-up with compliance, outreach and performance monitoring activities. A goal oriented approach allows the NEB to define the outcomes it expects the companies it regulates to achieve, but allows the companies to decide the best way to achieve these outcomes, encouraging both innovation and cost effective solutions. The risk-based lifecycle model allows the NEB to effectively target its oversight and compliance activities to companies where regulatory risk is highest.

The NEB also increased its focus on ways to achieve better outcomes from its regulatory decisions and processes for all Canadians. NEB staff engaged in initiatives designed to enhance public consultation on the impact of projects and energy infrastructure. Partnerships were leveraged to improve regulatory efficiency and effectiveness and reduce overlapping regulatory requirements.

The NEB contributes to Canada's sustainability by creating a regulatory framework that balances economic, environmental and social dimensions of the facilities and the activities it regulates in the public interest. Federally regulated systems transport over $100 billion worth of energy annually to markets in Canada and elsewhere. Regulated companies create wealth for Canadians through jobs, taxes and the export of hydrocarbons and electricity. The Canadian energy industry accounted for seven per cent of Canada's GDP in 2008, and directly employed 363,000 people (two per cent of the Canadian labour force). In 2008 the revenue from energy exports from Canada exceeded $133 billion, the majority of which was exported via NEB-regulated systems. Energy exports accounted for 28 per cent of the value of all Canadian exports.

Providing energy advice, information and market monitoring contributes to efficient Canadian energy markets, and sustainable economic growth for Canada, by allowing policy makers, industry and the Canadian public to have access to expert knowledge and energy market information so that they can make informed choices about energy options. Through its monitoring of energy exports, the Board ensures that Canadian energy users have access to domestically produced energy on terms and conditions at least as favourable as those available to export buyers, and ensures that energy markets are functioning properly.

Performance Analysis

The NEB analyzes its performance and progress towards its Strategic Outcome by evaluating the results of its measures and planned objectives outlined in the *2008-2009 Report on Plans and Priorities*, and the circumstances impacting these results.

NEB-regulated facilities and activities are safe and secure, and are perceived to be so

NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected

Safety and the Environment

The Board asks companies to share their performance data related to occupational injuries, hours of work and leaks and spills. Companies are required to report all incidents as defined in the NEB's regulations. This data is used by the NEB to analyze industry performance.

Overall, the pipeline industry continues to be a safe mode of transportation for the delivery of energy to Canadians. However, recent industry trends are of concern to the NEB:

- There were two fatalities on NEB regulated pipelines in 2008 which is above the 5-year average. The NEB's target is zero fatalities. There were also two disabling injuries on NEB regulated pipelines in 2008. The frequency of disabling injuries was 1.0 per million hours worked in 2008, up from 0.65 million hours worked in 2007;
- There were no pipeline ruptures in 2008, which is a decrease from the two which occurred in the previous year;
- Incidents and crossing violations were significantly higher in 2008. There were 56 incidents, such as worker injuries, unintended gas leaks, pipeline ruptures or fatalities, in 2007, which increased to 71 in 2008. The 5-year average is 52. The cause of these incidents, such as corrosion, component failure and outside forces, all rose in 2008. Crossing violations, which are intrusions within the 30 metre safety zone or onto a right of way without the pipeline company's permission, were up 88 per cent from 2007.

There are a number of potential reasons behind these trends:

- A very high level of construction activity in 2008 with new and more complex projects. Construction levels contribute to worker fatigue due to tight construction schedules, resource restraints and inadequate training.
- A very competitive construction labour market with high turnover impacted the level of worker experience and skills. Although these pressures have been easing somewhat due to the economic downturn at the end of the year, labour access and retention were challenging issues for much of the year.
- Increased reporting from companies on incidents and issues due to improved management systems. Effective use of company management systems allows companies to record and track issues and their responses in greater detail, and provides learnings to help avoid repeated incidents.

The NEB takes these trends very seriously and conducted investigations and follow-ups to ensure compliance and remedial actions were taken. Injury and fatality investigation findings were also shared with companies so safety programs could be reviewed and improved. The NEB is also analyzing industry trends to determine what further enhancements to its compliance programs, communication tactics and outreach plans on compliance expectations, will help to positively impact trends.

There has been some improvement in the amount of hydrocarbons unintentionally released into the environment. There were no major oil releases (greater than 100 m^3) in 2008, but there were

22 natural gas releases in 2008, up from the four year average of 20. There were 21 releases of 100 L or more of hydrocarbons or other contaminants reported under the *COGO Act* (from oil and gas exploration and production facilities located in the Northwest Territories or Nunavut), which is below the previous four-year average of 28. Minor oil releases (between 1.5 m^3 and 100 m^3) from NEB regulated pipelines were up somewhat this year after a three-year downward trend, but were close to the four-year average.

When the NEB approves an application, the Board attaches conditions to the approval to address specific environmental issues associated with a project. The NEB then monitors the project to ensure these environmental conditions are met and to assess the need for improving the clarity and effectiveness these conditions. Companies are meeting environmental conditions defined by the Board on almost all projects. The results reflect the investment that the NEB has made to improve the relevance and effectiveness of its regulatory conditions and the internal tools and processes that guide the use of conditions in facilities regulation. The Board's compliance staff report that most construction projects showed good environmental performance. The few instances where environmental conditions were not met in 2008-2009 mainly related to post construction environmental reports not being filed within the timelines required. The NEB followed-up with these companies to ensure that conditions were met and the reports are now filed.

A detailed analysis of pipeline performance relating to safety and the environment is provided in the NEB's 2009 report *Focus on Safety and Environment: A Comparative Analysis of Pipeline Performance, 2000-2007*.

Building a Safety Culture

The NEB's commitment to regulatory oversight applies to the entire lifecycle of a pipeline or facility, from application to abandonment. Compliance activities allow the NEB to assess the level of risk associated with a facility as well as the company's performance in managing risk through its management programs during construction, operation and abandonment. Compliance activities include inspections, audits, emergency exercises and compliance verification meetings with companies. Compliance activities are one way the NEB influences positive outcomes in safety, security and the environment within the industry.

In 2008-2009 the NEB completed 83 per cent of its planned compliance activities related to safety, security, integrity, environment and emergency management. The NEB was not able to complete all planned work due to the need for additional compliance activities resulting from company requests and actions, or findings from planned compliance activities. These 105 unplanned activities, such as inspections or meetings with company representatives, required significant employee time to address. Problems with the electronic tool used for compliance data tracking and planning purposes also led to some intended activities not being scheduled. The NEB has taken steps to correct these data issues and the omitted activities have been included in the 2009-2010 compliance work plan.

In addition to compliance activities, the NEB also received 240 reports of incidents and pipeline crossing violations that required various degrees of follow-up, assessment and recording. Employees continued to spend considerable time in the field monitoring operational pipeline systems despite increased work loads related to the high level of construction.

In addition to compliance and monitoring activities, NEB staff also conducted a number of outreach activities in 2008-2009, such as workshops, discussions with regulated companies and pipeline organizations, and sharing the findings from investigations in order to increase awareness of safety concerns. Continued outreach and communication is required to ensure regulated companies understand the NEB's expectations and how to improve their performance related to safety and environmental issues.

Findings from the significant amount of NEB field activities and company interactions showed that most companies understand what is required to meet compliance expectations and are effectively managing safety, security and environmental protection on their facilities through their management systems. Where company performance was not adequate, the NEB worked with the companies to help them understand where their performance needed to be improved and what actions were required to achieve compliance.

Continued Development of the Risk-Based Lifecycle Approach

In 2008-2009 the Board was committed to further development and delivery of the risk-based lifecycle approach. New compliance tools such as the pre-construction evaluation were introduced in 2008. Work continued on developing company performance scorecards and advancing the risk model. Continued enhancements and implementation will require significant resources and information technology solutions.

The Human Environment

A draft plan for incorporating socio-economic and land matters into the risk-based lifecycle approach, including toll and tariff regulation, was not implemented in 2008-2009. The plan was rescheduled to 2009-2010 to appropriately scope and resource this component, following the successful completion of the Land Matters Consultation Initiative.

Security Management

In addition to providing regulatory oversight to ensure that companies and operations under the Board's jurisdiction are protected against threats, the NEB also leveraged partnerships to coordinate messages on security. It partnered with the Royal Canadian Mounted Police, Public Safety Canada, Natural Resources Canada, the Canadian Energy Pipeline Association and the Canadian Association of Petroleum Producers to produce a security brochure promoting suspicious incident reporting around pipeline facilities. A contact list for all regulated companies was also developed to enable information sharing in the event of a significant security event.

The NEB has been working since 2006 with the Canadian Standards Association and security experts to draft a security management standard (CSA Z246.1) for the petroleum and natural gas industry. The objective of this standard is to assist and guide the industry as they develop and implement security management programs. The standard was approved in May 2009.

Updating Energy Information Systems

As part of its 2008-2009 commitments, the NEB launched an online database identifying underground formation tops on Frontier lands. The initiative was conducted in partnership with the Geological Survey of Canada, the Northwest Territories Geoscience Office and the Nunavut Minerals and Petroleum Resources Branch. The database, which provides industry with

consistent, timely and valued information, includes formation names and depth by well location using North American Datum (NAD83) location descriptions.

The NEB also moved forward on developing a process to convert Frontier Information Office reports from microfiche to a web-based digital format. Without access to this data, companies could be forced into undertaking exploration programs to gather information that is already known. The benefits of making this data more widely available include reducing unnecessary exploration and the costs, both financial and environmental, associated with it. A web portal was developed in 2008-2009 which will allow new reports to be saved and stored in a digital format. The Board has also investigated the cost for converting microfiche reports from previous years to a digital format and developed the scope for this project. However, resources are needed for this project to proceed.

Protecting the Environment

Many of the results the NEB achieved in 2008-2009 regarding its environmental regulation were related to improved partnerships. The NEB enhanced its engagement efforts with government and non-government organizations to improve communication, streamline and improve processes and promote understanding of environmental issues and the influence of the NEB on environmental outcomes.

The NEB made progress on establishing relationships with Environmental Non-Governmental Organizations (ENGOs), by meeting with a number of groups across the country to share information about the NEB, and to seek their views on how to improve the environmental outcomes of NEB regulatory programs.

The Board's contributions to the Major Projects Management Office (MPMO) resulted in process improvements, including project agreements to better coordinate environmental assessment processes and requirements, and an enhanced Aboriginal engagement program.

A project to improve environmental reporting on the condition of rights of way was also initiated during 2008-2009, which will help to clarify the NEB's expectations with respect to environmental conditions and how well the industry is meeting these expectations.

Respecting the Rights and Interests of Those Affected

The Board completed a major consultation initiative, the Land Matters Consultation Initiative (LMCI) in 2008-2009. Over 400 stakeholders were engaged, including landowners, Aboriginal groups, municipal representatives, oil and gas companies and other government departments. The LMCI provided a forum for discussion on land matters to help improve understanding of issues and find new ideas to improve the way these issues are incorporated into the NEB's public interest considerations.

The LMCI was divided into four streams: company interactions with landowners, improving accessibility of NEB processes, pipeline abandonment (financial issues) and pipeline abandonment (physical issues). NEB employees met with people and groups affected by pipelines to hear their suggestions for improvement. Concerns about financial issues were heard

at a public hearing in January 2009, making the NEB the first oil and gas regulator to explicitly address the financial aspects of pipeline abandonment.

As one result of LMCI consultation, the NEB will extend its regulatory program in 2009-2010 to include respecting the rights and interests of those affected by energy infrastructure as part of its regulatory framework, in order to provide consistent processes, guidance on expectations and to monitor performance.

Landowner Complaints

Energy companies regulated by the NEB are expected to involve those affected by their facilities and respond to complaints and concerns. While the majority of complaints in 2008-2009 were resolved without NEB involvement, the NEB can assist both sides by facilitating the resolution of complaints. The NEB received 23 landowner complaints in 2008-2009 on issues ranging from land reclamation to inadequate consultation, an increase of 10 complaints over the previous year. This rise in complaints was anticipated due to increased landowner awareness of their rights and the NEB's role stemming from the LMCI. The construction of the Alberta Clipper and Southern Lights projects also resulted in a number of operational complaints by landowners.

The value of the NEB's performance indicator on landowner complaint resolution time was reviewed in 2008-2009. As a result, it was determined that better indicators should be developed in 2009-2010 to assess its effectiveness in facilitating landowner complaint resolution, and on the outcomes of this process.

Canadians benefit from efficient energy infrastructure and markets

The NEB promotes efficient energy infrastructure and markets by regulating pipeline and electrical transmission facilities, pipeline tolls and tariffs, and energy imports and exports. The NEB is also required to provide energy information to Canadians and works to continually improve the efficiency of its regulatory processes.

Energy Infrastructure and Markets

The basis of the NEB's approach for authorizing exports is to ensure that Canadians have access to Canadian-produced energy commodities on terms and conditions at least as favourable as those available to export buyers. To evaluate this, the NEB extensively monitors the market and reports on its findings. In 2008-2009 Canadian market prices remained well connected to continental prices and Canadians continue to pay fair market prices for oil, natural gas, and electricity.

For natural gas and oil pipeline transportation systems to work well, there must be adequate pipeline capacity in place to move products to consumers who need them. Furthermore, pipeline companies must have adequate financial strength to attract capital on terms that allow them to build infrastructure, maintain their systems, and provide services at a reasonable cost.

- Capacity utilization indicators show there was adequate oil and gas pipeline capacity in 2008-2009, although periods of apportionment (reduced shipper volumes) on some oil

pipeline systems indicate that overall oil pipeline capacity remained tight. Apportionment can be caused by factors such as growing supply, increased demand, pipeline reconfigurations, and reduced pipeline capacity or refinery maintenance.

- Additional capacity from the completion of oil pipelines currently under construction will help alleviate constraints on oil pipelines. The effects of the global economic downturn, including expectations of slower oil production growth and low commodity prices may result in a surplus of capacity in the coming year. In addition, competition from sources of natural gas, particularly in the western and southern U.S., resulted in reduced flows on pipelines transporting gas from western Canada. Changing supply and demand dynamics may have important implications for both new and existing pipeline systems, which could prove to be challenging.
- The pipeline sector in 2008 was financially sound. Credit ratings continued to be investment grade and key financial ratios remained stable.
- In the 2008 pipeline services survey, shippers indicated they were reasonably satisfied with the services pipeline companies provided, which is consistent with results over the past few years. Physical reliability, timeliness and accuracy of invoices and statements received the highest levels of satisfaction, whereas satisfaction with pipeline companies exhibiting an "attitude of continuous improvement and innovation" was lowest.

The NEB published a detailed analysis of energy markets and transportation in the *2009 Canadian Pipeline Transportation System Assessment Report*.

Energy Information

The NEB collects and analyzes information about Canadian energy markets through regulatory processes and market monitoring in order to support the Board's regulatory program, and to provide public information that helps policy makers, industry and Canadians make better decisions.

Energy information products posted on the NEB website had over a half a million visits in 2008-2009, an eight per cent increase over the previous year. *Energy Futures*, a study of Canada's long-term energy supply and demand, and *Energy Information for Canadian Consumers*, consumer-focused information on energy pricing, continue to be the most used information products. The NEB also organized the Energy Futures Conference, to discuss the results of its 2007 Energy Futures publication.

Satisfaction with the NEB's energy information products and workshops is generally high and the NEB seeks to continually improve the energy information it provides to ensure it is relevant, timely and useful to Canadians.

Effective and Efficient Regulatory Services

The NEB continues to monitor the effectiveness and efficiency of it regulatory processes. In 2008-2009, the NEB experienced the highest hearing workload in its history, with seventeen public proceedings. The Board also successfully assumed jurisdiction of the TransCanada Alberta System in April 2009, showing the organization to be both adaptable and responsive in preparing for a sudden 50 per cent increase of pipeline requiring regulation. The Board

anticipates further work in transitioning the TransCanada Alberta System, including landowner and industry outreach and the possibility of a large number of toll-related issues coming before the Board in the next year.

Service standards on key regulatory processes, established in 2005, are used to help identify areas requiring process efficiencies. The NEB met or exceeded almost all of its service standards, despite a heavy workload. Processes and standards are being reviewed to better understand where improvement, and further development of relevant and meaningful service standards, can be made. A report on 2008-2009 service standard results is provided in Section III.

Partnerships to Improve Regulatory Efficiency and Effectiveness

One of the NEB's objectives in 2008-2009 was to improve regulatory efficiency and effectiveness by building and strengthening partnerships. The NEB met this objective through a number of partnership initiatives, including the following:

- The MPMO was established by the Government of Canada in 2007 to improve coordination between federal agencies involved in approving major projects such as new pipeline construction. The NEB worked with the MPMO and other federal agencies and stakeholders to develop policies, procedures and guidelines for a more coordinated and efficient approach to the federal regulatory review process.
- The NEB signed several Memoranda of Understanding (MOUs) to increase understanding and reduce regulatory overlap. For example, the Board signed an MOU with the Northwest Territories (NWT) Water Board regarding down-hole injection of drilling related fluids. This MOU strengthened the NEB's relationship with northern boards, removed unnecessary regulatory overlap, and helped to attract interest from other northern boards in building partnerships to achieve outcomes such as those outlined in the Northern Regulatory Improvement Initiative.
- Participating in the NWT Board Forum provided an opportunity to both share and gain knowledge about energy regulation in the North.
- Board staff participated in a joint data initiative with Environment Canada and Natural Resources Canada that examined Canadian energy data, resulting in greater consistency of data used by federal departments and relationships to continuously improve energy data available to Canadians in future.
- NEB staff continued to meet with Mexican and US federal regulatory agencies as part of an agreement that commits the three parties to share information on regulatory approaches and developments.

Regulatory Initiatives

In 2008-2009 the NEB introduced a new online application system that allows companies to build and submit section 58 applications (for a facility involving less than 40 km of new pipeline) through the NEB website. The online system improves the efficiency of the regulatory process and simplifies the review process.

The Board also continued to pursue regulatory amendments that will improve the efficiency and effectiveness of energy regulation in Canada. The Board delegated some responsibilities under

the *Canadian Petroleum Resources Act* to the NEB's Chief Conservation Officer (CCO), allowing the CCO to handle the investigation phase of applications for significant discovery and commercial discovery in frontier areas under the Board's jurisdiction. Amendments drafted by the Board to the *Onshore Pipeline Regulations, 1999* and the *National Energy Board Processing Plant Regulations* came into effect in 2008-2009, allowing the NEB to assess the environmental effects of decommissioning.

The NEB fulfils its mandate with the benefit of effective public participation

The NEB has made significant progress towards enhancing its engagement strategies over the past few years, and this continued in 2008-2009. Community engagement and pre-hearing meetings are considered standard for facilities applications having any significant degree of public interest.

An initiative began in 2008-2009 to strengthen relationships with ENGOs, which has resulted in better understanding and communication about the NEB's role in environmental oversight.

The NEB has developed a culture of reaching out to communities and helping them participate in NEB processes. The NEB developed a new model for Aboriginal engagement and very quickly built up its knowledge and capacity to pursue enhanced engagement on hearings such as Keystone XL, Northern Gateway and Groundbirch. The new model recognizes the unique traditions and needs of Aboriginal peoples in the regulatory process. Enhanced engagement provides proactive contact with Aboriginal groups that may be affected by a proposed project, and helps them to understand the regulatory process and how to participate. There has been positive feedback on the value and impact of this program from Aboriginal communities. This initiative will help improve regulatory outcomes in the public interest through proactive engagement of Aboriginal communities.

Although feedback on engagement and accessibility of NEB processes, including hearings, is generally very positive, the lack of participant funding continues to be cited by some hearing participants as an obstacle to the accessibility of NEB processes. In addition, with the TransCanada Alberta System now under NEB jurisdiction, the NEB will need to focus on building confidence and understanding with landowners and the Alberta public in the coming year.

The NEB delivers quality outcomes through innovative leadership and effective support processes

To achieve results for the Energy Regulation and Advice program, the NEB also focuses on the leadership and management accountabilities needed to support successful energy regulation.

Resource Capacity to Fulfil the NEB Mandate

Despite the economic downturn, 2008-2009 was an extremely busy year at the NEB. High levels of construction activity within the industry and more complex projects, combined with a highly competitive labour market made it difficult to attract and retain employees.

The NEB successfully hired seventy full-time employees in 2008-2009, representing 20 per cent of its total FTE component by the end of the year. These employees were hired to meet the Board's growing workload and to replace those that left the NEB. The NEB continued to move forward with more robust resource allocation planning through its business planning process, which will help determine the appropriate employee complement and financial resources required for the future. In 2008-2009 the NEB delivered its program with a variance of less than two per cent of its budget, based on factors within its control that impacted planned and actual spending. These trends increasingly demonstrate a strong budgeting and projection process. A funding arrangement from 2007 for forty extra FTEs to meet the increase workload expires in 2010, and the NEB is working with the Treasury Board to address this adjustment through an allocation review.

The NEB focused on employee retention through strategies that make the NEB an attractive place to work. The retention elements of the NEB's People Strategy promote work-life balance initiatives such as flexible work hours, telework arrangements and identifying and developing learning and development opportunities. In addition, a comprehensive awards and recognition program for employees, including a new award from the Chair, was introduced. The enhanced NEB compensation package with market allowance, performance pay plan and Calgary allowance was clarified and communicated to employees and new recruits. The attrition rate dropped in 2008-2009 by 4.7 per cent to 11.97 per cent for the year (rates were lower during the second half of the year). Although the decrease in attrition can partly be accounted for by downward economic trends and the addition of many new employees, retention strategies also contributed to this success. The NEB was also recognized as one of Canada's Top 100 Employers in 2008 in an independent review.

Learning and Development

Considerable expertise is required throughout the organization to carry out the NEB's mandate. To support knowledge acquisition and transfer, significant time and resources were invested during the year to develop a comprehensive learning and development program that links job specific learning with competencies and job families. The Board moved forward on developing its learning and development framework, including a draft policy and web-based technical excellence program. The program encompassed formal and informal training opportunities such as learning networks, communities of practice, job shadow opportunities, coaching/mentoring and conferences/workshops. To support the learning and development framework, more work is required in 2009-2010 on the job classification system. This work will extend the learning framework to all job families by identifying the key competencies required for employees to excel. The work related to the job classification system was impacted by the *Expenditure Restraint Act*, and clarification of scope and requirements was needed to proceed.

The NEB also focused on improving its employee on-boarding process, which was of particular importance due to the large proportion of new employees. New tools and training for employees

and leaders were developed and made accessible through the NEB's internal website to ensure organizational information and expectations are clearly delivered to new employees. The new on-boarding process was considered a success as it helped employees become familiar with the NEB and its culture much more quickly.

In addition to learning and development, the NEB used better information management as another strategy to manage and share information. The NEB completed the second year of its implementation plan for the Records, Document and Information Management System. All employees have been trained to use the system and daily use has increased. Additional integration will be required in the final year (2009-2010) of the three-year implementation plan. A new and enhanced internal website was also launched during the year, providing the organization with a communications and information hub.

Results-Based Culture

Building a results-based culture is key to achieving the NEB's commitments. The NEB's ISO-based quality management system promotes a cycle of continuous improvement for the organization. Through the consistent documentation, use of, and evaluation of processes, the NEB can better understand and assess where process improvements can be made. Although NEB continued to implement and make use of the system in 2008-2009, greater focus is needed in the coming year to integrate the principles of quality management throughout the organization. Communication and training is required to better develop the organization's understanding of quality management and how it contributes to achieving quality outcomes.

As part of its support for recognition of employee performance, the NEB enhanced its existing performance management process, called RESULTS, by implementing an electronic employee results performance tracking tool in 2008-2009. The tool will enable year-round tracking of employees' accountabilities, performance reviews, learning and development plans, and peer and leader feedback. The NEB's RESULTs process provides the organization and employees with a way to clearly outline accountabilities and assess related performance. It also strengthens the "line of sight" between objectives outlined in the NEB Strategic Plan and Business Plans and how employees contribute to these objectives.

Regular employee feedback is solicited by management to better understand what employees need to be effective in their jobs, and to enjoy doing them. In the 2008 Public Service Employee Survey, 79 per cent of NEB employees considered the NEB to be "a good place to work", somewhat lower than the NEB target of 85 per cent. In the coming year, employee responses to this survey, and to other employee opinion surveys, will be further evaluated to ensure this feedback is converted into action.

Lessons Learned

In evaluating performance results, several key learnings, and related actions, emerged for the NEB.

Considering recent industry performance trends, proactive steps must be taken to address safety issues. The NEB will share findings from compliance activities, and promote industry best practices to help the companies it regulates better understand the NEB's expectations and,

ultimately, improve their performance. The NEB will examine opportunities in 2009-2010 to improve safety performance indicators and will continue to work with industry on measures and reporting structures. NEB regulations will also be reviewed for clarity regarding safety expectations, and updated if necessary.

Findings from LMCI resulted in the decision to begin extending the regulatory framework in 2009-2010 to address the rights and interests of those affected by energy infrastructure or activities. By extending the regulatory program, the NEB can effectively set expectations, build consistent processes and monitor industry performance. In 2009-2010, the NEB will begin developing measures to support the new rights and interest component.

NEB measures and indicators must continuously improve to ensure the NEB can adequately evaluate industry trends, company performance and the effectiveness of its programs in influencing industry. However, a company information system is needed to support the development of some measures and to more comprehensively analyze trends in a timely manner. Information technology support is also required for the risk-based model to improve its effectiveness. An initiative to begin scoping and planning a company information system will be explored during 2009-2010.

Regulations should be proactively developed and updated to ensure regulatory processes are efficient and effective. The partnerships the NEB has developed are also extremely valuable in helping to improve regulatory processes and the NEB will continue to develop and strengthen relationships with other departments and agencies. Additional allocation of resources will be needed to successfully manage regulatory development issues and partnership development in the North and with the MPMO.

The economic conditions during 2008-2009 highlighted the need for comprehensive information on emerging market issues. As well, there is a demand for information on regulatory challenges related to the responsible development of energy infrastructure. The NEB will respond to the information needs of Canadians by focusing the energy information it produces on these areas over the next year.

The experience of hiring and developing a significant number of new employees during the year also provided learnings. A continued focus is needed on understanding the capacity required to fulfill the NEB mandate, both now and into the future. Focus is also needed on knowledge sharing and development, and initiatives to support more effective and efficient processes, such as the continued integration of quality management principles into the organization and the work that it does.

Section III :

Supplementary Information

3.1 Financial Highlights

Regulatory fees account for the majority of NEB revenue. Over 90 percent of the NEB's costs are recovered from the regulated industry. The NEB Act authorizes the Board to charge those companies it regulates costs attributable to the NEB's operations in carrying out its related responsibilities. This process is regulated by the *Cost Recovery Regulations* under the NEB Act. The NEB's financial statements, anticipated expenditures and performance results are presented to the Cost Recovery Liaison Committee, made up of industry's major associations and companies, at regularly scheduled meetings.

Condensed Statement of Financial Position At End of Year (March 31, 2009) (thousands $)		% Change	2009	2008
Assets	Total Assets	<7.76>	15,591	16,903
Liabilities	Total Liabilities	1.77	15,011	14,750
Equity	Total Equity	<73.06>	580	2,153
	TOTAL	<7.76>	15,591	16,903

Condensed Statement of Financial Position At End of Year (March 31, 2009) (thousands $)		% Change	2009	2008
Expenses	Total Expenses	19.28	59,429	49,825
Revenues	Total Revenues	25.45	52,179	41,595
	NET COST OF OPERATIONS	11.91	<7,250>	<8,230>

Financial Statements

The NEB's financial statements are located on the NEB's website.

3.2 List of Tables

The following tables are located on the Treasury Board Secretariat website:

- Sources of Non-Respendable Revenue
- External Fees and Service Standards
- Internal Audits and Evaluations

3.3 Other Items of Interest

NEB Service Standards

Service Standards	Service Standard Results 2008-2009[2]
Reasons for Decision • 80% of Reasons for Decision completed within 12 weeks following a public hearing	**Reasons for Decision** • 11 decisions: 91% completed in 12 weeks
Export/import authorizations • Oil and/or petroleum orders processed: 100% of new orders in 2 working days • NGL orders processed: 100% of new orders in 2 working days • Gas import and export orders processed: 100% of all orders in 2 working days **Electricity export permits** • Category A (complexity of issues considered minor): 80% within 40 calendar days • Category B (complexity of issues considered moderate): 80% within 90 calendar days	**Export/import authorizations** • Oil and/or petroleum orders processed: 14 new orders processed; 100% completed in 2 days • NGL orders processed: 17 new orders processed; 100% completed in 2 days • Gas import and export orders processed: 170 received; 99% completed in 2 days **Electricity export permits** • Category A: 9 received; 100% completed in 40 days • Category B: 2 received; 100% completed in 90 days
Landowner Complaints • Respond with initial course of action: 100% within 10 calendar days • Resolve the complaint: 80% within 60 calendar days	**Landowner Complaints** • Respond with initial course of action: 23 files. 100% response within 10 calendar days • Resolve the complaint: 23 files. Resolution times depend on file complexities and are typically longer than 60 days
Onshore pipeline regulation (OPR) audits • 80% of draft OPR reports sent to the audited company within 8 weeks of completing field work • 80% of final OPR reports sent to the audited company within 8 weeks of receiving the company's comments on the draft report	**Onshore pipeline regulation audits** • 3 received. 100% sent to the audited company within 8 weeks • 3 received. 100% sent to the audited company within 8 weeks

2 The Board met all of its service standards except three. The Board's target for gas import and export orders was not met due to process delays on 1 out of 170 orders. The Board's historical target on the resolution of landowner complaints was reconsidered during 2008-2009 as resolution times vary significantly depending on file complexities. Better indicators of the effectiveness of this process are under development during 2009-2010. The target for responding to library requests was missed by 1%. 63% of requests were dealt with in under 15 minutes, however the complexity of requests impacts the response time.

Service Standards	Service Standard Results 2008-2009[2]
Financial audits • 80% of draft financial reports sent to the audited company within 8 weeks of completing field work • 80% of final financial audit reports sent to company within 3 weeks of receiving the audited company's comments on draft financial report	**Financial audits** • 3 audits conducted. Both service standards met (100% of reports sent within specified period)
Non-hearing Section 58 application cycle times • **Category A** (complexity of issues considered minor): 80% of decisions released in 40 calendar days • **Category B** (complexity of issues considered moderate): 80% of decisions released in 90 calendar days • **Category C** (complexity of issues considered major): 80% of decisions released in 120 calendar days	**Non-hearing Section 58 application cycle times** • **Category A:** 4 received: 100% in 40 days • **Category B:** 6 received: 100% in 90 days • **Category C:** 0 received
COGO Act applications ***Well drilling applications*** • Decisions rendered within 21 calendar days of receiving a complete application ***Geological and geophysical applications*** • Decisions rendered within 30 calendar days of receiving a complete application	**COGO Act applications** ***Well drilling applications*** • 12 received: 100% of decisions rendered within 21 calendar days ***Geological and geophysical applications*** • 11 received: 100% of decisions rendered within 30 days
CPR Act applications ***Decision for Significant Discovery*** • 80% of decisions for both rendered within 90 calendar days ***Decision for Commercial Discovery Applications on Frontier lands*** • 80% of decisions for both rendered within 90 calendar days	**CPR Act applications** ***Decision for Significant Discovery*** • 5 received: 100% of decisions rendered within 90 calendar days ***Decision for Commercial Discovery Applications on Frontier lands*** • 0 received
Library Requests • 90% of requests responded to within one working day	**Library Requests** • 1,654 requests: 89% of requests responded to within one working day